

Of the new securities acquired, \$26,253 million were certificates of indebtedness issued exclusively to the trust fund, \$6,787 million of which were redeemed during the year and \$19,467 million of which mature on June 30, 1957. These certificates were acquired at par, \$1,116 million at 2¼ percent, \$3,759 million at 2¾ percent, and \$21,378 million at 2½ percent, this rate having been determined by the average rate of interest on the interest-bearing public debt which prevailed at the end of the month preceding the date of issue of these securities. The remaining \$255 million of securities acquired during the year were public issues at interest rates ranging from 2¾ percent to 3 percent.

The average rate of interest on the interest-bearing public debt at the end of the month varies with changes in the composition of the public debt and with changes in the particular rates of interest on different classes of securities. During the fiscal year 1956 the average rate of interest on the public debt rose from 2.351 percent on June 30, 1955, to 2.546 percent on May 31, 1956, with the result that special certificates acquired during the July–August period were at 2¼ percent, during the September–March period at 2¾ percent, and during the remaining period of the fiscal year at 2½ percent.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING FISCAL YEARS 1957–61

In the following statement of the expected operations and status of the trust funds during the next 5 fiscal years, it is assumed that the present statutory provisions relating to the old-age, survivors, and disability insurance program remain unchanged throughout the period under consideration. The income and disbursements of the program, however, not only depend on the legislative provisions but they are also affected by general economic conditions. Because it is difficult to foresee economic developments, the assumptions on which the estimates here presented are based are subject to many uncertainties. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimated future trust fund income and disbursements under changing economic conditions.

Single sets of estimates are here presented to show the expected operations of the trust funds in fiscal years 1957 and 1958, but for fiscal years 1959–61 two sets of estimates are given based on two different assumptions as to economic development in those years. In assumption I the entire period 1957–61 is characterized by a continued rise in employment and earnings reflecting chiefly long-term trends. Unemployment remains at a low level. The other set of estimates for fiscal years 1959–61, based on assumption II, shows the effects that would result in the unlikely event that there were a sharp contraction in industrial activities beginning in the latter half of calendar year 1958 with a slow recovery not beginning until the first half of calendar year 1961.

The expected operations and status of the old-age and survivors insurance trust fund during the next 5 fiscal years are presented in summary in table 7, together with the figures on the actual experience in earlier fiscal years. The increase in estimated income from contributions in fiscal year 1958 as compared with fiscal year 1957 reflects

the extension of coverage to additional employments, including the Armed Forces, beginning January 1, 1957, and also the uptrend in the levels of employment and earnings. Estimates of contribution income in fiscal years 1959-61 based on assumption I show the effect of an assumed rise in employment and earnings during these years as well as the scheduled increase in contribution rates on January 1, 1960. Benefit disbursements increase substantially primarily because of the 1954 and 1956 amendments, and partly because of the long-range upward trend in the number of beneficiaries under the program. Under assumption II, estimated contributions in fiscal years 1959-61 are lower than under assumption I because of the effects of the assumed economic recession on the levels of covered employment and taxable earnings in the periods affecting tax collections during those years. Estimated benefit disbursements, on the other hand, are higher under assumption II than assumption I because a larger number of older workers leave employment or are unable to find jobs.

TABLE 7.—Operations of the Federal old-age and survivors insurance trust fund, fiscal years 1937-61, subject to the assumptions and limitations stated in the text ¹

[In millions]

Fiscal year	Transactions during period				Net increase in fund ⁵	Fund at end of period ⁵
	Income		Disbursements			
	Appropriations ²	Interest on investments ³	Benefit payments	Administrative expenses ⁴		
Past experience:						
1937-56.....	\$42,078	\$3,918	\$22,453	\$950	\$22,593	\$22,593
1941.....	688	56	64	27	653	2,398
1942.....	896	71	110	27	830	3,227
1943.....	1,130	87	149	27	1,041	4,268
1944.....	1,292	103	185	33	1,178	5,446
1945.....	1,310	124	240	27	1,167	6,613
1946.....	1,238	148	321	37	1,028	7,641
1947.....	1,460	163	426	41	1,157	8,798
1948.....	1,617	191	512	47	1,248	10,047
1949.....	1,694	230	607	53	1,263	11,310
1950.....	2,110	257	727	57	1,583	12,893
1951.....	3,124	287	1,498	70	1,843	14,736
1952.....	3,598	334	1,982	85	1,864	16,600
1953.....	4,097	387	2,627	89	1,766	18,366
1954.....	4,589	451	3,276	89	⁶ 1,675	20,043
1955.....	5,087	448	4,333	103	1,098	21,141
1956.....	6,442	495	5,361	124	1,452	22,593
Estimated future experience:						
1957.....	6,740	567	6,300	135	872	23,465
1958.....	7,315	578	7,386	141	366	23,831
1959—Assumption I.....	7,527	582	7,952	156	1	23,832
Assumption II.....	7,023	575	8,148	160	-710	23,121
1960—Assumption I.....	8,425	580	8,488	155	362	24,194
Assumption II.....	7,537	550	8,876	154	-943	22,178
1961—Assumption I.....	9,864	603	8,995	149	1,323	25,517
Assumption II.....	8,527	532	9,449	145	-535	21,643

¹ In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957.

² Include insurance contributions, adjusted for refunds, and transfers from general funds equivalent to additional payments arising from the extension of survivors insurance protection to certain veterans of World War II (Social Security Act Amendments of 1946).

³ Includes (1) profits on marketable investments amounting to \$183,668 in 1949, \$8,934 in 1950, and \$50,781 in 1956; and (2) beginning in fiscal year 1954, interest transferred from the Railroad Retirement Account.

⁴ Include administrative expenses, less receipts for sale of surplus material, services, etc. For fiscal years 1944 and 1945, represent charges against trust fund; administrative expenses, after adjustment for book-keeping transfers, were about \$30 million in fiscal year 1944 and \$29 million in fiscal year 1945. For fiscal years 1954-60, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance.

⁵ Totals do not necessarily equal the sum of rounded components.

⁶ Excludes net adjustment of approximately \$0.8 million which was allocable to prior years.

Under assumption I, income of the old-age and survivors insurance trust fund is expected to exceed disbursements in each of the 5 fiscal years 1957-61. Under assumption II, income is estimated to exceed disbursements during the 2 years 1957-58; during the years 1959-61, disbursements are estimated to exceed income. During the 5-year period, there is an estimated net increase in the trust fund of about \$2.9 billion under assumption I, and an estimated net decrease in the fund of about \$1 billion under assumption II. During the 5 fiscal years 1957-61 the old-age and survivors insurance trust fund will not exceed 2.8 times the highest expected annual disbursements during the 5-year period under either assumption I or assumption II.

As indicated in an earlier section of the report, the 1956 amendments contain provisions which will cause disbursements for old-age and survivor benefits during the 5 fiscal years 1957-61 to be on a higher level than the disbursements made under the old law. Moreover, these benefit disbursements during the next 5 years, like contributions, will be dependent to a considerable extent upon economic developments and so will have a considerable range of possible variation. The number of workers in covered employment, their distribution among different classes of workers (e. g., older workers, very young workers, women workers not previously engaged in covered employment, etc.), and the level of earnings will all have a decided effect upon the amount of benefit payments to be anticipated. However, under both assumptions benefit payments as a percentage of taxable earnings will continue to rise. Benefit payments were 3.26 percent of taxable earnings for calendar year 1955. It is estimated that by 1961 benefit expenditures from the old-age and survivors insurance trust fund under assumption I will be 4.65 percent, and under assumption II, 5.72 percent, of taxable earnings. Figures for each of the calendar years 1940-61 are shown in table 8.

TABLE 8.—Old-age and survivors' insurance benefit payments as percentage of taxable earnings, calendar year 1940-61, subject to the assumptions and limitations stated in the text ¹

Calendar year	Benefit payments as percentage of taxable earnings	Calendar year	Benefit payments as percentage of taxable earnings
Past experience:		Estimated future experience:	
1940.....	.11	1956.....	3.43
1941.....	.21	1957.....	3.85
1942.....	.25	1958—Assumption I.....	4.12
1943.....	.27	Assumption II.....	4.50
1944.....	.32	1959—Assumption I.....	4.33
1945.....	.44	Assumption II.....	4.91
1946.....	.55	1960—Assumption I.....	4.46
1947.....	.59	Assumption II.....	5.38
1948.....	.66	1961—Assumption I.....	4.65
1949.....	.82	Assumption II.....	5.72
1950.....	1.10		
1951.....	1.61		
1952.....	² 1.76		
1953.....	² 2.28		
1954.....	² 2.84		
1955.....	² 3.26		

¹ In interpreting the estimates in this table reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957. For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² Preliminary, subject to revision based on complete tabulation of taxable self-employment earnings for 1952-55 and of taxable wages for 1955.

In general, the larger the volume of employment the larger will be the number of workers who are insured under the program, and therefore the larger will be the number of deaths which will give rise to valid claims for survivors' benefits. However, over the short range the amount paid out for survivors' benefits will not be affected significantly by variations in economic conditions. While favorable opportunities for employment will operate to increase the number of insured persons, and hence increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivors' benefits to forego them by working. On balance, the amount paid out for survivors' benefits over the next few years will differ so little whether the economic conditions of assumption I or assumption II are assumed that a single set of estimates is deemed appropriate for both assumptions (table 9).

TABLE 9.—Treasury disbursements for old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, fiscal years 1941-61, subject to the assumptions and limitations stated in the text ¹

[In millions]

Fiscal year	Total benefit disbursements ²	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total ²	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and children	
Past disbursements: ³							
1941-----	\$64.3	\$31.1	\$5.3	\$15.3	\$1.5	\$13.8	\$12.7
1942-----	110.3	54.9	9.6	31.6	4.1	27.5	14.1
1943-----	149.3	72.4	12.7	47.5	7.9	39.6	16.7
1944-----	184.6	86.8	15.2	63.6	12.1	51.5	19.0
1945-----	239.8	109.1	19.2	85.8	17.7	68.1	25.7
1946-----	320.5	153.9	27.2	113.4	24.7	88.7	26.0
1947-----	425.6	218.6	38.4	139.4	33.8	105.6	29.2
1948-----	511.7	272.4	47.5	160.5	43.7	116.8	31.3
1949-----	607.0	333.0	57.7	184.0	55.6	128.4	32.2
1950-----	727.3	412.6	71.2	209.4	69.3	140.2	34.0
1951-----	1,498.1	891.1	148.0	413.5	134.3	279.2	45.5
1952-----	1,982.4	1,191.4	193.5	539.2	179.2	360.0	58.3
1953-----	2,627.5	1,624.6	253.0	673.6	232.7	441.0	76.3
1954-----	3,275.6	2,068.5	318.6	798.3	283.0	515.3	90.2
1955-----	4,233.1	2,803.0	428.8	1,000.8	367.9	632.9	100.5
1956-----	5,360.8	3,532.9	531.8	1,189.7	446.7	734.0	115.3
Estimated future disbursements:							
1957-----	6,300.0	4,166.0	668.0	1,353.0	565.0	788.0	113.0
1958-----	7,386.0	4,899.0	812.0	1,545.0	705.0	840.0	130.0
1959—Assumption I...	7,952.0	5,290.0	857.0	1,674.0	787.0	847.0	131.0
Assumption II...	8,148.0	5,459.0	884.0				
1960—Assumption I...	8,498.0	5,652.0	896.0	1,804.0	874.0	930.0	136.0
Assumption II...	8,876.0	5,988.0	947.0				
1961—Assumption I...	8,995.0	5,990.0	931.0	1,934.0	962.0	972.0	140.0
Assumption II...	9,449.0	6,381.0	994.0				

¹ In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957.

² Totals do not necessarily equal the sum of rounded components.

³ Partly estimated.

On the other hand, the lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. As is indicated in table 10, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing. This proportion would not have declined from 1950 to 1951 (table 10) but for the fact that, for a large number of workers newly eligible as a result of the liberalized insured-status provisions of the 1950 amendments, claims for benefits had been received but had not yet been completely processed.

TABLE 10.—Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, fiscal years, 1941-61, subject to the assumptions and limitations stated in the text ¹

[Number in thousands]

Middle of fiscal year (Jan. 1)	All workers aged 65 and over			Workers aged 65 to 69			Workers aged 70 and over		
	Number eligible for benefits ²	Persons receiving benefits		Number eligible for benefits ²	Persons receiving benefits		Number eligible for benefits ²	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
Past experience:									
1941.....	548	112	20	376	85	23	172	28	16
1942.....	680	200	29	445	134	30	235	66	28
1943.....	831	260	31	522	153	29	309	107	35
1944.....	1,016	306	30	608	156	26	408	151	37
1945.....	1,214	378	30	708	167	24	536	211	39
1946.....	1,469	518	35	805	212	26	664	306	46
1947.....	1,637	702	43	898	271	31	769	430	56
1948.....	1,813	875	48	930	325	35	883	550	62
1949.....	1,990	1,048	53	1,000	380	38	990	668	67
1950.....	2,164	1,286	59	1,069	474	44	1,095	812	74
1951.....	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952.....	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953.....	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954.....	4,797	3,222	67	2,429	1,300	54	2,368	1,922	81
1955.....	5,209	3,775	72	2,569	1,518	59	2,640	2,257	85
1956.....	5,686	4,474	79	2,685	1,744	65	3,001	2,720	91
Estimated future experience:									
1957.....	6,433	4,997	78	2,637	1,848	63	3,496	3,149	90
1958.....	7,012	5,736	82	3,109	2,115	68	3,903	3,621	93
1959—Assumption I.....	7,440	6,153	83	3,198	2,184	68	4,242	3,969	94
Assumption II.....	7,434	6,270	84	3,194	2,277	71	4,240	3,903	94
1960—Assumption I.....	7,858	6,546	83	3,286	2,249	68	4,572	4,297	94
Assumption II.....	7,809	6,786	87	3,253	2,444	75	4,556	4,342	95
1961—Assumption I.....	8,255	6,917	84	3,384	2,323	69	4,871	4,594	94
Assumption II.....	8,142	7,189	88	3,302	2,549	77	4,840	4,640	96

¹ In interpreting the estimates in this table reference should be made to the accompanying text which describes the underlying assumptions. Females aged 62 to 64 eligible for old-age benefits are excluded from the table. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age and survivors and railroad retirement programs, and (2) noncontributory wage credits for military service. Estimates were prepared February 1957.

² Figures for 1941-56 are partly estimated.

The drop in the proportion of eligible workers receiving benefits from 1952 to 1953 was caused by the fact that many persons in occupations newly covered by the 1950 amendments became fully insured for the first time in 1952. Since these newly insured persons were fairly regularly employed, relatively few filed applications for old-age (primary) benefits. This depressed to a lower level the proportion of all eligible persons in receipt of such benefits on January 1, 1953. A similar situation is expected on January 1, 1957, when many persons fairly regularly employed in occupations newly covered by the 1954 amendments will be insured. In general, however, due to the increasing percentage of eligibles who are 72 or over and therefore receive benefits regardless of earnings, the past upward trend in this proportion is expected to continue even under the favorable employment conditions assumed in assumption I.

As indicated in an earlier section of this report, an insured woman worker between age 62 and age 65 may elect to receive an actuarially reduced retirement benefit. (Table 10 excludes data relating to women aged 62-64.) On January 1, 1957, there were an estimated 665,000 women workers aged 62-64 eligible for old-age benefits, of whom 115,000, or 17 percent, were drawing such benefits. This relatively low percentage results from the fact that a significant number of claims for benefits had been received but had not yet been completely processed. On January 1, 1961, under assumption I, 41 percent of the 890,000 women workers aged 62-64 eligible for old-age benefits are expected to be receiving such benefits.

If the lower employment conditions assumed in assumption II should materialize, it is expected that larger proportions of eligible workers will be obliged to leave employment, especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under assumption II would considerably exceed that under assumption I. Moreover, it is expected that the average old-age (primary) benefit amount payable under assumption II would exceed the average under assumption I, inasmuch as many of the more steadily employed, and therefore higher paid, older workers who would not withdraw from employment under the conditions of assumption I would not be employed under the conditions of assumption II. The foregoing analysis also applies to insured women workers aged 62-64; under assumption II, on January 1, 1961, about 52 percent of the 885,000 eligible women aged 62-64 are expected to be receiving old-age benefits. In consequence, assumption II would result in a substantially higher volume of benefit payments to old-age (primary) beneficiaries and their dependents.

Table 10 contains an analysis of workers aged 65 and over eligible for old-age (primary) benefits by age attained as of the middle (January 1) of each of the fiscal years 1941 through 1961. The growth in the number of eligible workers aged 65-69 was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that each passing year a larger proportion of the persons attaining age 65 had fully insured status. A worker attaining age 65 in the first quarter of 1940 would

not have been fully insured if he had left covered employment before the quarter in which he attained age 63—for example due to a permanent disability. A worker attaining age 65 in the first quarter of 1949, however, could have been fully insured even though he had left covered employment as early as the quarter in which he attained age 58.

The marked increase in the number of workers eligible for benefits in 1951 is due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. The number of quarters of coverage needed to be eligible for old-age benefits just prior to the passage of these amendments ranged from 27 for persons then attaining age 65 down to 6 for persons then aged 76 and over. As a result of the 1950 amendments all persons who attained age 65 before July 1954 are fully insured if they have the minimum number of 6 quarters of coverage. Consequently, the increase in the number of eligible persons on January 1, 1951, was greatest for the persons in the 65-69 age group. Although the same factors which before 1951 contributed to the growth in the number of eligible persons aged 65 and over will continue to be operative after 1950, the amendments in 1950, 1954, and 1956 which liberalized the insured-status provisions and extended coverage to new areas of employment will have an even greater effect.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in summary in table 11. The sharp rise in estimated income from contributions in fiscal year 1958 as compared with fiscal year 1957 reflects primarily the fact that the program will be in effect during the entire fiscal year 1958, but during only part of fiscal year 1957. As in the case of the old-age and survivors insurance trust fund, estimates for fiscal years 1959-61 are presented on the basis of the 2 assumptions previously described. Contribution income of the disability insurance trust fund will be influenced significantly by economic developments and so will have a considerable range of possible variation. On the other hand, the amount of benefit payments over the short range will not differ significantly under the two sets of assumptions. The assumed decrease in the level of employment under assumption II would probably result in a larger number of claims for disability insurance benefits. Most of these claims would be denied, since the determination of disability, while considering such factors as age, prior work experience, education and training, rests primarily on a medical determination of limitation in functional capacity rather than on the availability of gainful employment. A small number of these claims for benefits, however, would be allowed. Such claims would come from persons whose impairments are so severe that it would be unreasonable to expect them to engage in any substantial gainful employment but who, by reason of extraordinary circumstances, do obtain, or continue in, remunerative employment during the prevalence of the favorable economic conditions underlying assumption I. In some cases of course the circumstances under which they obtain or continue in employment will not exist under unfavorable economic conditions. In these instances, they would apply for and be found entitled to benefits. While the lack of employment opportunities will operate

to increase to some extent the number of allowed claims, there will tend to be counterbalancing effects, such as the progressively increasing number of persons who would fail to meet the insured-status requirements, especially the requirement that the individual have 6 quarters of coverage in the 13 calendar quarters ending with the quarter of his disability. On balance, disbursements for disability benefits over the next few years would differ so little under assumption I or assumption II that a single set of estimates is presented.

TABLE 11.—*Estimated future operations of the Federal disability insurance trust fund, fiscal years 1957-61, subject to the assumptions and limitations stated in the text*¹

[In millions]

Fiscal year	Transactions during period					Fund at end of period
	Income		Disbursements		Net increase in fund	
	Appropriations ²	Interest on investments	Benefit payments	Administrative expenses		
1957.....	\$340	\$1		\$19	\$322	\$322
1958.....	922	16	\$290	23	625	947
1959—Assumption I.....	939	31	355	26	589	1,536
Assumption II.....	875	30	355	26	524	1,471
1960—Assumption I.....	962	46	390	23	595	2,131
Assumption II.....	863	43	390	24	492	1,963
1961—Assumption I.....	988	61	425	22	602	2,733
Assumption II.....	855	55	425	23	402	2,425

¹ In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957.

² Include insurance contributions, adjusted for refunds.

Income of the disability insurance trust fund is expected to exceed disbursements in each of the five fiscal years 1957-61 under both assumption I and assumption II. During this 5-year period, it is estimated that the disability insurance trust fund will reach a level 5.4 to 6.1 times the highest expected annual disbursements during 1957-61.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that the addition of \$208.8 million to the old-age and survivors insurance trust fund would place it in the same position as of June 30, 1955, as it would have been if railroad employment had always been covered under the Social Security Act. There is no authority in the law to transfer the amount held in the railroad retirement account to the credit of the trust fund, but interest thereon is payable annually. For the fiscal year ending June 30, 1956, interest amounting to \$5.2 million was transferred to the old-age and survivors insurance trust fund in September 1956. Except for interest, the

estimates shown in table 7 have not been adjusted to reflect the effect of future interchanges between the railroad retirement account and the old-age and survivors insurance trust fund.

Public Law 880, approved August 1, 1956, provides for similar annual determinations and for financial interchanges between the railroad retirement account and the disability insurance trust fund beginning with the fiscal year ending June 30, 1958. The estimates shown in table 11 have not been adjusted to reflect the effect of future interchanges between the railroad retirement account and the disability insurance trust fund.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service. A description of the legislative history of provisions relating to credit for military service is contained in appendix II. Estimates of the amounts of these reimbursements have not yet been completed. Accordingly, the estimates shown in tables 7 and 11 have not been adjusted to reflect the effect of these reimbursements.

ACTUARIAL STATUS OF THE TRUST FUNDS

On June 30, 1956, there were about 14,600,000 persons aged 65 and over in the United States, a number equivalent to 8.5 percent of the total population. It is estimated that by the year 2000 the number of persons aged 65 and over may be nearly double that on June 30, 1956, and represent from 10 to 13 percent of the population. The effect on the finances of the old-age and survivors insurance system of this expected change in the number of aged persons will be even greater than may at first appear, because at the end of the century a much larger proportion of aged persons is expected to be eligible to receive benefits under the program than at present. The future financial soundness of this system, with its rising rate of disbursements, is of the utmost importance to the millions of persons who are already within its scope and to the Nation as a whole.

Survivor benefits, although not as important costwise as old-age benefits, nonetheless play a very important role in the old-age and survivors insurance system. One way of measuring the significance of survivor benefits is through the volume of "life insurance" afforded by the program. This term is interpreted as meaning the present value of the prospective benefit payments to the surviving dependents of each worker in the event of his death, taking into account the possible termination of benefits through death, remarriage of widow, marriage of child, child's attainment of age 18, etc. It is estimated that at the beginning of the calendar year 1957, the program provided

about \$425 to \$450 billion of such "life insurance" protection for survivors.

Table 12 shows the estimated cost of old-age and survivor benefits and monthly disability benefits as a percentage of payroll through the year 2050 and also the level-premium cost of the two programs—that is, the level percentage of payroll which, in perpetuity, would be sufficient to meet the cost of the benefits. These level-premium costs at a 2.6 percent interest assumption, range from 6.59 to 8.40 percent of payroll for the old-age and survivor benefits and from 0.29 to 0.58 percent of payroll for the monthly disability benefits, depending upon the combination of assumptions selected. Tables 13 and 14 show the estimated contributions, benefit payments, administrative expenses, interest accumulations, and assets of the two trust funds through the year 2000, under alternative combinations of assumptions with respect to benefit costs.

TABLE 12.—*Estimated costs of old-age, survivors, and disability insurance system as percent of payroll,¹ 1965–2050*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermed-iate-cost estimate ²
Old-age and survivors benefits			
1965.....	4.94	5.69	5.31
1970.....	5.62	6.42	6.01
1980.....	6.88	7.95	7.40
1990.....	7.63	9.24	8.41
2000.....	7.31	9.42	8.31
2025.....	8.14	12.41	9.99
2050.....	8.01	12.06	9.62
Level-premium cost ³	6.59	8.40	7.43
Monthly disability benefits			
1965.....	0.24	0.51	0.37
1970.....	.27	.54	.41
1980.....	.29	.57	.43
1990.....	.26	.53	.39
2000.....	.27	.60	.43
2025.....	.28	.60	.42
2050.....	.29	.63	.43
Level-premium cost ³29	.58	.42

¹ Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.

² Based on the average of the dollar costs under the low-cost and high-cost estimates.

³ Level-premium contribution rate, at 2.6 percent interest rate, for benefits after 1955, taking into account interest on the trust fund on Dec. 31, 1955, future administrative expenses, and the lower contribution rates payable by the self-employed.

NOTE.—The figures in this table are based on high-employment assumptions.

TABLE 13.—Estimated progress of old-age and survivors insurance trust fund, 2.6 percent interest

[In millions]

Calendar year	Contributions ¹	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data (excluding effect of railroad coverage)					
1953.....	\$3,945	\$3,006	\$88	\$414	\$18,707
1954.....	5,163	3,670	92	³ 468	20,576
1955.....	5,713	4,968	119	³ 461	21,663
1956.....	6,172	5,715	132	³ 531	22,519
Actual data (including effect of railroad coverage)					
1953.....	\$4,099	\$3,246	\$91	\$424	\$19,084
1954 ²	5,336	3,940	96	³ 476	20,860
1955 ²	5,913	5,290	123	³ 466	21,826
Low-cost estimate					
1965.....	\$11,571	\$9,797	\$140	\$901	\$36,373
1970.....	14,389	11,867	157	1,227	49,594
1980.....	18,614	15,987	186	2,368	94,667
1990.....	20,278	19,322	215	3,508	138,818
2000.....	22,519	20,550	232	4,850	192,242
High-cost estimate					
1965.....	\$11,434	\$11,150	\$184	\$659	\$26,053
1970.....	14,241	13,418	206	728	29,030
1980.....	18,138	18,017	248	1,109	43,692
1990.....	19,027	21,978	285	952	35,942
2000.....	20,299	23,906	308	134	3,346
Intermediate-cost estimate					
1965.....	\$11,503	\$10,465	\$170	\$780	\$31,216
1970.....	14,315	12,642	182	977	39,317
1980.....	18,376	17,002	217	1,739	69,184
1990.....	19,652	20,650	250	2,230	87,387
2000.....	21,409	22,228	270	2,492	97,802

¹ Combined employer, employee and self-employed contributions. The combined employer-employee rate is 4 percent for 1955-59, 5 percent for 1960-64, 6 percent for 1965-69, 7 percent for 1970-74, and 8 percent for 1975 and after. The self-employed pay ¾ of these rates.

² Preliminary; partially estimated.

³ Includes interest transfer from Railroad Retirement Account to OASI trust fund (\$21.1 million in 1954, \$7.4 million in 1955, and \$5.2 million in 1956).

NOTE.—The estimated figures in this table are based on high-employment assumptions.

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TABLE 14.—Estimated progress of disability insurance trust fund, 2.6 percent interest

[In millions]

Calendar year	Contributions ¹	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Low-cost estimate					
1965	\$972	\$483	\$19	\$133	\$5,468
1970	1,036	572	23	213	8,633
1980	1,163	671	26	405	16,225
1990	1,267	650	25	675	26,946
2000	1,407	773	29	1,055	41,920
High-cost estimate					
1965	\$959	\$989	\$39	\$33	\$1,278
1970	1,023	1,136	46	22	804
1980	1,134	1,303	49	(²)	(²)
1990	1,189	1,273	48	(²)	(²)
2000	1,269	1,515	57	(²)	(²)
Intermediate-cost estimate					
1965	\$966	\$735	\$29	\$83	\$3,380
1970	1,030	854	34	118	4,729
1980	1,148	988	37	188	7,468
1990	1,228	962	36	291	11,581
2000	1,338	1,144	43	442	17,502

¹ Combined employer, employee and self-employed contributions. The combined employer-employee rate is ½ percent for 1957 and after. The self-employed pay ¾ of this rate.

² Fund exhausted in 1975.

NOTE.—The estimated figures in this table are based on high-employment assumptions.

The difference between the level-premium cost of benefits and administrative expenses and the level-premium contribution rate equivalent to the graded schedule in the law is used to indicate the actuarial balance of the system. The following table shows these figures for the old-age and survivors insurance program and disability insurance program:

[Percent]

Level-premium equivalent	Low cost	High cost	Intermediate cost
Old-age and survivors insurance			
Contributions	7.27	7.17	7.23
Benefit costs ¹	6.59	8.40	7.43
Net difference ²	.68	-1.23	-.20
Disability insurance			
Contributions	0.49	0.49	0.49
Benefit costs ¹	.29	.58	.42
Net difference ²	.20	-.09	.07

¹ Including adjustments (a) to reflect lower contribution rate for self-employed as compared with employer-employee rate, (b) interest on the existing trust fund on Dec. 31, 1955, and (c) for administrative expenses.

² A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing.

These figures indicate that the old-age and survivors insurance system has a small financial "deficit" and is thus not quite self-supporting; this deficiency, however, is relatively small so that for all practical purposes it may be said that the system is in actuarial balance. On the other hand, the disability insurance program shows a small "surplus" according to the intermediate cost estimates and so is indicated as being slightly more than self-supporting. However, considering the variability of cost estimates for disability benefits, this small actuarial excess is certainly no more than a moderate safety factor.

A discussion of the assumptions upon which these tables have been calculated is presented in appendix I.

CONCLUSION

During the past 5 fiscal years, the contribution income of the old-age and survivors insurance trust fund has increased substantially for a number of reasons. In addition to a rise in earnings levels and the normal uptrend in the labor force, contribution rates increased in 1954; moreover, coverage was extended to additional employments and the maximum limit on taxable earnings was raised in 1951 and 1955. With the growth of the trust fund, interest received on investments has also increased.

Trust-fund disbursements have risen even more sharply than contribution income. Basic factors in this increase are the long-term growth in the aged population and, more significantly, the lengthening period during which workers have had an opportunity to earn the quarters of coverage required to be insured. More immediate causes have been the amendments to the Social Security Act during 1950-54, which have extended the program's coverage; lowered the requirements for eligibility to benefits for persons who retire and for the survivors of individuals who die in the early years of the program; increased benefits payable; and liberalized the retirement test.

It is estimated that under continued favorable economic conditions, aggregate income of the old-age and survivors insurance and disability insurance trust funds from contributions and interest will be wholly sufficient during the 5-year period immediately ahead to meet aggregate disbursements of the programs during this period. Long-range actuarial studies show that, on the basis of high employment assumptions, the level-premium cost of the old-age and survivors insurance program at 2.6-percent interest ranges from 6.59 to 8.40 percent of payroll, depending on the combination of cost assumptions selected. The corresponding level-premium cost of the disability insurance program ranges from 0.29 to 0.58 percent of payroll.

With more than 90 percent of all paid employment now covered or eligible for coverage under old-age, survivors, and disability insurance, this program now provides basic security to almost all workers and their families in the event of retirement, prolonged disability, or death. Its continued financial soundness is a major concern both to the contributors and to the Nation as a whole.